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MEMORANDUM OF CONVERSATION

December 4, 1980

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Participants

Ambassador Ephraim Evron (Israel)
Under Secretary David D. Newsom, P

Copies to:
S,D,P,
S/S,NSC
NEA,L,

Subject: USS LIBERTY

Distribution: Vice President, L, NEA, S/S

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Explaining that the Vice President had asked him to meet with Ambassador Evron to discuss the claim on the USS LIBERTY, Mr. Newsom suggested they begin by reviewing the history of the claim. Mr. Newsom noted that there were originally three types of claims, those for men killed in the attack, those for those injured, and a claim for damage to the ship. The first two had been paid respectively in 1967 and 1969.

With respect to the claim for the ship, the U.S. sent Israel a note pressing a claim for $7,6441.46 on July 1, 1968. Israel offered to pay a nominal sum which was found unacceptable. There was a further note in February 1978 quoting the earlier damage estimate. In May of 1978 the Government of Israel replied reserving Israel's legal position by agreeing to open negotiations.

Mr. Newsom explained that the decision to deliver the note with the current claim, including interest, of $16.2 million, was in response to the earlier Israeli agreement to open negotiations. The delivery of that note has now been held up and the Vice President has asked Mr. Newsom to explore with Ambassador Evron suggestions the Ambassador may have for resolving this issue.

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Mr. Newsom pointed out that it had been under discussion for a long time, and that there remained interest in the Congress and a group of survivors of the LIBERTY who kept the issue alive. He expressed the view that a settlement was in the interest of both countries.

Ambassador Evron responded by expressing appreciation for the opportunity to review the matter on an informal basis. He said that he had been involved in this issue from the beginning, recalling that he had been with Ambassador Harman when they were called in by Secretary Rusk after the LIBERTY was attacked. He commented that the Israeli position reserving its legal position could "easily" be challenged since the Israelis had given the Department a note soon after the incident accepting full responsibility.

The Ambassador said that he had spoken to the Vice President, with whom he was meeting on another matter, because he had been surprised to learn that Israel was now being asked to pay substantial interest on the original claim.

Ambassador Evron said that he had spoken with Assistant Secretary Saunders on this matter a couple of months before and had spoken with Israeli Minister of Finance Horowitz. He said that he, the Ambassador, wanted to settle the matter. He felt the claim was somewhat high since the ship was in mothballs and would probably never actually be repaired. Nevertheless he recognized Israel's obligation. The Minister of Finance, however, said that Israel's financial situation at the moment was so precarious that he could not raise $7 million. The Ambassador commented that Israel would probably have to pay the U.S. "out of your aid program." The Ambassador said, however, that he was authorized to suggest a settlement for a sum between $4-5 million.

Mr. Newsom responded that, while it was possible that the interest might be forgiven on this, he had no authority to go below the $7 million figure. He pointed

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out that the U.S., however, might be prepared to accept payment over a three-year period. Mr. Newsom suggested that this might make it possible for the Israelis to pay something higher than $5 million. The Ambassador said he would be prepared to recommend $6 million over three years, but this would mean that the matter would need to go back once more through the Ministry of Finance. The Ambassador had the authority to settle for $5 million over three years now.

Mr. Newsom said that he would report this to the Vice President and other authorities and would be back in touch with the Ambassador.

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